

CITY AUDITOR'S OFFICE



AUDIT OF DURANGO HILLS GOLF COURSE MANAGEMENT CONTRACT

Report No. CAO 1701-0405-05

April 14, 2005

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**AUDIT OF DURANGO HILLS GOLF COURSE
MANAGEMENT CONTRACT
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BACKGROUND

Durango Hills Golf Course (DHGC) is an 18-hole executive style golf course. It is located on land owned by the Bureau of Land Management (BLM). The City of Las Vegas (City) constructed the golf course in 2002 and contracted a golf management company (Contractor) to operate it since then.

The Contractor is responsible for staffing, maintenance, and operating the golf course, including the pro-shop and the restaurant. In return for the operation and management services, the Contractor receives a monthly management fee and reimbursement for the golf course's operating and capital expenditures. All revenues related to DHGC belong to the City. The City's Field Operations Department, Parks Maintenance Manager (Project Manager) is responsible for the coordination of contract performance between the City and the Contractor.



OBJECTIVES

The objectives of our audit were to determine whether:

- Adequate controls are in place to ensure the Contractor's compliance with the contract; and
- DHGC is financially viable.

SCOPE AND METHODOLOGY

We performed the audit in accordance with generally accepted governmental auditing standards. Our audit procedures included:

- Reviewing the management contract;
- Interviewing pertinent personnel;
- Reviewing financial and operational reports;
- Analyzing financial and operational data.

During the audit, we also engaged a golf management consultant to assist us in observing the golf course operations and reviewing the audit issues.



FINDINGS AND RECOMMENDATIONS

The City Auditor's Office appreciates the courtesy and cooperation extended to us by employees of the Finance and Field Operations Departments and the Contractor during the audit. Our audit identified issues management should address to improve contract oversight over the golf course operation. These issues are summarized in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

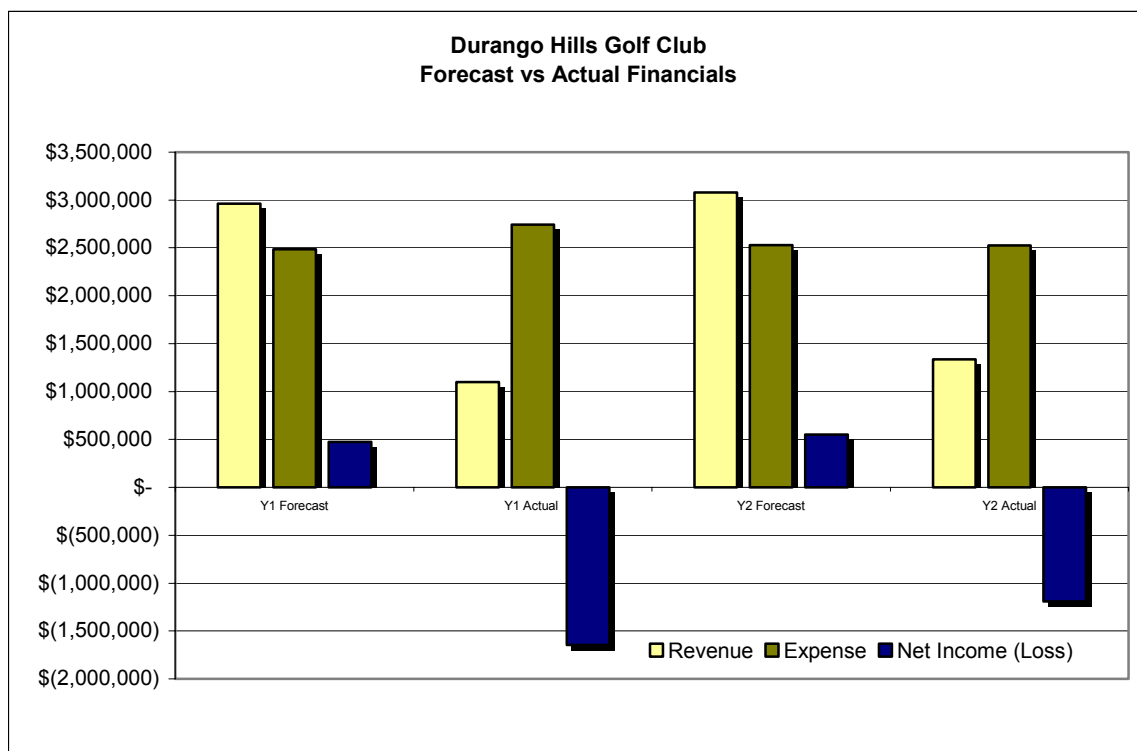
1. FINANCIAL PERFORMANCE

Criteria:

- As an enterprise fund, the golf course operation should generate sufficient revenues to cover its expenditures.

Condition:

- The City issued \$12 million general obligation golf course bonds in November 2001 to finance the construction of DHGC, which opened to the public in November 2002.
- According to the bond document, no revenues from general ad valorem (property) taxes would be necessary to service the annual debt of approximately \$1.05 million over 20 years.
- The pro-forma financial statement projected over \$1 million of surplus after paying all operating and debt servicing expenses during the golf course's first two years of operation.
- Our review indicated that DHGC's revenues were significantly lower than forecasted. In 2003 and 2004, the golf course lost a total of \$2.84 million, including \$2.05 million for debt servicing.



- In January 2005, the City sold a piece of land adjacent to the golf course for approximately \$2.9 million. The City purchased the 4.58-acres land in 1997 in conjunction with the development of the golf course. The proceeds from the sale of that property were designated to help defray DHGC's deficits during its early years of operation.

Cause:

- DHGC's revenues are substantially below the forecasted levels.

Effect:

- DHGC's financial deficits are subsidized by the City.

Recommendation:

1. The City Manager's Office should develop a long-term plan to finance DHGC's financial deficits.
2. The Project Manager should request the Contractor to develop a comprehensive business plan, including marketing efforts, cost containment strategies, and strategic fee structures to ensure DHGC's financial viability.
3. The Project Manager should closely monitor DHGC's financial performance and periodically report the results to the City Manager's Office.

2. CONTRACT OVERSIGHT

Criteria:

- Adequate oversight is essential to ensure compliance with the terms and conditions of a contract.

Condition:

- In February 2002, the City contracted a golf management company to operate and manage DHGC, which was under construction.
- In September 2002, two months before the golf course was open, the City accepted an assignment for another golf management company to replace the first company as the Contractor.
- The contract terms essentially remain the same, with only a few minor modifications to reflect the change.

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- According to the management contract, the Contractor shall, among other requirements:
 - Engage and employ all personnel necessary to manage, operate and maintain the golf course including managerial, maintenance, professional shop and restaurant services;
 - Deposit daily revenues from the facility to the City's bank account;
 - Submit monthly invoices for allowable costs; and
 - Submit monthly status reports as specified in the contract.
- In addition to the management fee, the Contractor is eligible for a performance award fee based on 10% of the facility's net revenue as defined in the contract.
- The City's Park Maintenance Manager was assigned to be the Project Manager to oversee and coordinate the contract performance.
- Our review indicated that there is a lack of quantifiable goals for performance measurements.
- Over the past two years, the Project Manager's involvement with DHGC has been limited to the following activities:
 - Reviews annual budgets;
 - Approves fee changes and other operational requests;
 - Interacts informally with management and staff;
 - Plays a round of golf once or twice per month and observes the golf course condition and operations during each visit.
- The City's Finance Department has been involved in the following aspects of DHGC:
 - Reviews annual budgets;
 - Reviews and reconciles daily bank deposits; and
 - Processes the Contractor's monthly invoices.
- Our review indicated that the City's current contract oversight for DHGC is inadequate to mitigate the City's financial risks and to ensure contract compliance.

Cause:

- Overall contract oversight responsibilities have not been clearly defined and assigned.

Effect:

- Potential contract violations
- Potential financial risks to the City

Recommendation:

1. The City Manager's Office should re-evaluate the City's contract oversight responsibilities of DHGC and assign appropriate staff to monitor the contract. In evaluating contract oversight responsibilities, the following should be considered:
 - a. Operational and financial risks
 - b. Control activities to mitigate the risks identified
 - c. Proper segregation of incompatible duties
 - d. Quantifiable key performance indicators for significant areas of the operation
 - e. Accurate, reliable and timely information to report on performance
 - f. Safeguarding of assets
 - g. Formal policies and procedures
 - h. Compliance with laws, regulations, and contract terms
 - i. Operational effectiveness and efficiency
 - j. Customer satisfaction and feedback

3. MONTHLY REPORTS

Criteria:

- According to Section C-10 of the management contract, the Contractor shall submit a monthly status report to the City by the fifteenth of every month for the previous month. The report shall include nine specific categories of information and any other information relating to the operation of the golf course as requested by the Project Manager.

Condition:

- The Contractor submitted monthly invoices to the City's Finance Department for its monthly management fees and reimbursements of expenditures.
- Along with the monthly invoices, the following DHGC financial statements are submitted to the City:
 - Balance sheet;
 - Income statements (summary and by department);
 - Statement of cash flows; and
 - Daily revenue report.

- Our review of the monthly status reports indicated that the Contractor had not submitted the following monthly information to the City as required by the contract:
 - Copy of any necessary sales tax report;
 - Staff vacancies, including recruitment efforts and projected date of filling vacancies;
 - Maintenance conditions report, including a list of activities accomplished, problems encountered, and projected resolution of pending problems;
 - Approved capital improvements completed, in progress, and planned;
 - Cost of sales inventory report reflecting beginning balance, acquisitions, sales and an ending balance;
 - Discussion of marketing or promotional efforts undertaken; and
 - Summary of consumer complaints and their resolution.

Cause:

- Contractor was unaware of the specific monthly reporting requirements.
- Some of the monthly information had been communicated verbally to the Project Manager.

Effect:

- Contract violation.
- Lack of operational information to monitor DHGC's operations.

Recommendation:

1. The Project Manager should establish adequate controls to ensure that DHGC management is in compliance with the monthly reporting requirements and the golf course's operations are properly monitored.

4. PERSONNEL

Criteria:

- Adequate controls should be in place to manage the golf course personnel to ensure operational efficiency.

Condition:

- DHGC employs a total of 38 employees: 10 for maintenance, 11 for food and beverages, and 17 for pro-shop and course operations.
- Besides three employees (general manager, superintendent, and accountant) who are paid a monthly salary, all other employees are paid hourly wages.
- Since the opening of the golf course in November 2002, the staff turnover ratio has been over 100% per year. Among the eighty employees who have left were one superintendent and two accountants.
- The City Marshal's Office has been involved in investigating several theft incidents at the golf course.
- Our review indicated the following weaknesses:

- DHGC's current policy and procedures manual does not cover some personnel and operational areas (e.g. nepotism, maintenance standards);
- Not all cash handling employees are subject to background checks before hiring;
- Not all food and beverage servers are required to obtain a sheriff card;
- While the maintenance employees use a time clock to record their work hours, some other employees pencil in their daily work hours on the biweekly time cards, which could be subject to manipulation;



- Cause:**

- Effect:**

- ### Recommendation:

- a. All cash-handling employees should be subject to background check before hiring.
- b. All food and beverage servers should obtain a sheriff card before hiring.
- c. All hourly employees should use a time clock to record their daily work hours.



5. SALES TAX COLLECTION AND REMITTANCE

Criteria:

- Unless exempted, all business entities in Nevada are required to collect sales tax for tangible properties and remit the taxes to the Department of Taxation. Intangible items are not subject to sales tax.

Condition:

- Prior to June 2004, DHGC calculated the monthly sales tax remittance amounts based on the golf course's total revenues including green fees and rentals, which are intangible items.
- We estimate that over the 19-month period between November 2002 and May 2004, DHGC overpaid the Department of Taxation a total of approximately \$100,000 due to payments on intangible items.
- Since June 2004, after being advised by the Department of Taxation, DHGC has been remitting sales taxes based only on revenues from the sales of merchandise, food and beverage, which represent approximately 18% of the golf course's total revenues.
- As DHGC did not add sales tax on green fees and rentals, the golfers were not over charged. However, DHGC mistakenly remitted 7.5% of the golf course's non-taxable revenues to the Department of Taxation.
- Our review indicated that neither DHGC management nor the City had taken actions to request refund for the overpayments.

Cause:

- DHGC's management incorrectly calculated the sales tax remittance amounts.
- The Contractor has not adequately monitored DHGC's financial affairs.
- The Project Manager has not adequately monitored DHGC's financial affairs.

Effect:

- Financial losses to the City.

Recommendation:

1. The Project Manager should request that the Contractor obtain a refund of the sales tax overpayments.
2. If the Contractor fails to obtain a refund from the Department of Taxation, the Project Manager should require the Contractor to reimburse the City for the sales tax overpayments.

6. SALES TAX FOR PURCHASES

Criteria:

- The City is exempt from paying sales and use tax as well as federal excise tax. According to Section E-10 of the management contract, the Contractor is required to take advantage of these exemptions in its procurement activities on behalf of the City.

Condition:

- Our review indicates that DHGC has not been taking advantage of the City's tax exemptions in its procurement activities
- Since 2002, DHGC has purchased more than \$500,000 worth of various equipment, furniture, and machinery.
- We estimate that the City has paid over \$30,000 of sales or use tax related to these purchases.
- Furthermore, our review found that DHGC has paid at least \$10,000 of sales and excise tax per year through its purchases of operating items including chemicals, gasoline, tools, and supplies.
- Since golf merchandise and food and beverage are purchased for resale, DHGC does not pay sales tax on these items. However, the customers are charged sales tax for their purchases of these tangible items.
- If the golf course had not out-sourced to a private business, the City will not charge sales tax for merchandise, food and beverage, making them more affordable to the customers.

Cause:

- The Project Manager did not monitor and evaluate the effect of DHGC's current practice of paying sales, use, and excise taxes.

Effect:

- Higher operating costs if DHGC does not take advantage of the City's tax-exempt status.

Recommendation:

1. The Project Manager should consult with the City Attorney's Office to determine whether DHGC can take advantage of the City's tax exemption status. If DHGC is unable to take advantage of the City's tax exemption status, the Project Manager should evaluate the tax implications of outsourcing the golf course operation and consider other possible alternatives to minimize DHGC's operating costs.

7. PROPERTY TAX

Criteria:

- As a private business, a golf course management company is required to pay property tax.
- As a local government, the City is exempt from paying property tax.

Condition:

- When the City issued the \$12 million golf bond in 2002, City management did not anticipate that the DHGC would be subject to property taxes since the golf course was built and owned by the City.
- However, by contracting a private business to manage DHGC, the City may be unable to take advantage of its tax exemption status at the golf course.
- In 2004, DHGC was billed for over \$100,000 of property taxes based on approximately \$3 million in assessed value of the Contractor's possessory interest at the golf course.
- At the advice of the City Attorney's Office, the City's Finance Director made the tax payments under protest on behalf of DHGC.

Cause:

- The City Attorney's Office had not made final resolution as to whether DHGC should be exempt from property tax.

Effect:

- If the DHGC fails to be exempt from property tax, its annual operating costs will be at least \$100,000 more than expected.

Recommendation:

1. The Project Manager should seek formal resolution from the City Attorney's Office as to whether the current outsourcing arrangement for DHGC qualifies for tax exemption.
2. If it is determined that DHGC's current contracting arrangement does not qualify for tax exemption, the Project Manager should seek guidance from the City Manager's Office to determine alternative arrangements to minimize DHGC's operating costs.

8. PRO-SHOP OPERATION

Criteria:

- According to Section C-2 (f) of the management contract, the Contractor shall post all prices charged for green fees, cart rental, etc. at the location where such fees are normally paid.
- Pro-shop revenues should be properly accounted for.

Condition:

- DHGC's major sources of revenues are from green fees and cart rentals.
- Golf professionals who work in the pro-shop are responsible for multiple tasks including: booking tee-times, processing green fees and rentals, issuing keys for golf carts, and acting as starters.
- Charges for green fees and rentals vary at DHGC based on the following factors:
 - Resident vs. Non-resident;
 - Weekday vs. Weekend;
 - 18-Hole vs. 9-Hole;
 - Age group (Senior vs. Adult vs. Junior);
 - Time of Day (Early Bird vs. Twilight); and
 - Electric Cart vs. Pull Cart.
- During the audit, we observed the following control weaknesses in processing golfers' payments in the pro-shop:
 - No price list is displayed in the pro-shop;
 - Pro-shop attendants do not always check whether the golfers are eligible for the lower fees for residents, seniors, and juniors;
 - Golfers do not always obtain their payment receipts as they are not required to be checked by either the golf cart attendants or the course marshals; and
 - Surveillance camera in the pro-shop is not positioned at the cashier drawer to monitor and record transactions.
- Our review indicated that the tee time records do not always match with the payment transactions (e.g. booked 18-hole, paid 9-hole.) Furthermore, some payment transactions are voided or cancelled without documenting the reasons for the changes and obtaining supervisory approval.

Cause:

- Lack of proper controls to ensure all revenues are collected and recorded by the pro-shop attendants.

Effect:

- Potential loss of revenues.
- Potential fraud.

Recommendation:

1. The Project Manager should direct DHGC management to implement the following:
 - a. A fee schedule for rental and green fees should be posted in a conspicuous area of the pro-shop.
 - b. Pro-shop attendants should verify golfers' ID (e.g. address, age) before charging them for lower fees (i.e. seniors, juniors, Clark County residents).
 - c. DHGC should establish adequate controls to ensure golfers are issued payment receipts and notify golfers that their receipts are subject to verification by the cart attendants or the course marshals.
 - d. The positioning of the surveillance cameras and their use should be evaluated.
 - e. Reasons for all voided or cancelled transactions should be properly recorded and approved.

9. PRO-SHOP MERCHANDISE

Criteria:

- Adequate controls must be established to ensure pro-shop merchandise is properly accounted for.

Condition:

- DHGC's pro-shop generates approximately \$68,000 annually from sales of a variety of merchandise including golf apparel, balls, clubs, and footwear.
- The pro-shop's average inventory value is \$22,000 and the average merchandise sale per round of golf is approximately \$1.60.



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- The golf professionals who work in the pro-shop are responsible for handling sales transactions.
- Since May 2004, the General Manager has been responsible for the following duties, some of which are incompatible for proper internal control purposes:
 - Selecting suppliers and products;
 - Placing orders;
 - Receiving shipments;
 - Keeping excessive inventory in his office;
 - Conducting monthly inventory counts; and
 - Reconciling and adjusting inventory records.
- Some of the monthly inventory count reports are either incomplete or unavailable.
- Our review indicated that \$5,664 of inventory was unaccounted for during the 22-month period between February 2003 and November 2004.

Cause:

- A lack of adequate controls over the pro-shop merchandise.

Effect:

- Potential theft of pro-shop merchandise.
- Higher than expected cost of sales for pro-shop merchandise.

Recommendation:

1. The Project Manager should:
 - a. Direct DHGC management to establish adequate controls to safeguard and properly account for the pro-shop merchandise.
 - b. Review the monthly inventory count results and obtain satisfactory explanations for inventory discrepancies.
 - c. Monitor the pro-shop's merchandise sales and costs of sales to ensure pre-determined financial targets are met.

10. RESTAURANT OPERATION

Criteria:

- DHGC's restaurant should be operated in a cost efficient manner and maximize its revenues to defray the operating costs of the golf course.

Condition:

- DHGC's restaurant and bar offers in-house dining, on-course beverage cart, and banquet services to its customers.
- The restaurant is staffed with eleven employees including three cooks and eight food servers/beverage cart persons.
- Two of the restaurant employees are a husband and wife team. Husband is a cook and wife is a food server.
- Over the past two years, revenues from the sales of food and beverage amounted to approximately \$192,000 per year, an equivalent of \$4.50 per round of golf.
- Our review of the available monthly inventory count reports indicated that food spoilage or waste totaled approximately \$25,000 during a sixteen-month period from August 2003 to November 2004.

Cause:

- The restaurant operation has not been closely monitored.

Effect:

- Financial losses to the City.

Recommendation:

1. The Project Manager should more closely monitor the financial performance of the restaurant operation and periodically report the results to the City Manager's Office.
2. The Project Manager should evaluate whether it is acceptable for a husband and wife team to work in the restaurant.

11. MAINTENANCE

Criteria:

Adequate controls should be in place to ensure DHGC's maintenance services are performed in a cost efficient manner and in accordance with the management contract.

Condition:

- DHGC's maintenance department is staffed with ten employees including: one superintendent, one mechanic, one irrigation specialist, and seven maintenance staff. Additional part-time employees are hired during the summer.



- The former superintendent was dismissed in July 2004 for using DHGC's maintenance employees and equipment to work on his sideline maintenance business during regular working hours.



- The current superintendent who was hired in September 2004 was not instructed to maintain the golf course in accordance with the maintenance standards as stipulated in the management contract. Over the past six months, he has been maintaining the golf course based on the standards he followed at another golf course.
- The value of DHGC's maintenance equipment is approximately \$487,000. Most of the equipment was purchased by the City in 2002 and has been used for over two years.

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- Our review found that the repair and maintenance records and fuel consumptions records for the maintenance equipment have not been adequately maintained as required by Section C-3 of the management contract.
- Furthermore, DHGC has not established a formal safety program as required by the management contract.

Cause:

- The golf course superintendent was not aware of the maintenance requirements of the management contract.

Effect:

- Contract violations.

Recommendation:

1. The Project Manager should direct DHGC management to establish controls to ensure:
 - a. The golf course is maintained in accordance with the contractual maintenance standards.
 - b. Complete and accurate repair and maintenance records are maintained for all maintenance equipment.
 - c. Complete and accurate fuel consumption records are maintained.
 - d. Implementation of a formal safety program.

12. COMPLIMENTARY USE OF GOLF COURSE FACILITY

Criteria:

- Section C-4 (c) (vi) of the management contract stipulates that the Contractor is responsible for collecting, accounting for, depositing and reporting to the City all revenue generated from operations at or connected with operation of the facility.
- Section C-4 (e) of the management contract stipulates that the Contractor shall not, under any circumstance, offer discounts or complimentary use of city property or assets without the written approval of the Project Manager.

Condition:

- Our review indicates that DHGC management allows the following complimentary use of the golf course:
 - If the course is not busy, an employee can bring a friend to play for free;
 - Golf professionals who work at the pro-shop are allowed to teach private golf lessons without compensating DHGC;
 - Superintendents from other golf courses are allowed to play free at DHGC; and
 - PGA professionals can play for free.
- DHGC management has not obtained written approval from the Project Manager for the complimentary use of the golf course.

Cause:

- DHGC management failed to comply with the contract requirements regarding discounts or complimentary use of city property or assets.

Effect:

- Contract violations.
- Loss of revenues.

Recommendation:

1. The Project Manager should notify DHGC management of contract violations regarding complimentary use of golf course facility.
2. The Project Manager should evaluate the current complimentary use practice and establish formal complimentary use guidelines for DHGC to follow. (The City should consider requiring golf instructors to pay a monthly fee or a percentage of instruction revenues.)

13. IMPREST FUND

Criteria:

- According to Section B-6 of the management contract, DHGC may employ the use of an imprest fund (\$2,000) to cover small dollar purchases under \$500 and purchases of items which must be paid by C.O.D. (e.g. alcohol and perishable foods).

Condition:

- Over the past two years, the golf course General Manager issued a total of 58 checks for approximately \$19,000 from the imprest fund account. The average amount for each check was \$326. Receipts are retained for the expenses.
- Our review of the imprest check register indicated that:
 - 9 of the 58 checks were for amounts in excess of \$500, including a final payroll check in the amount of \$3,370.37 to an employee;
 - 10 checks were issued to a company for embroidery services between January and September of 2004; and
 - 13 checks were issued to individuals - most of them were employees of the golf course.

Cause:

- DGHC management was not familiar with the management contract and did not comply with the stipulated imprest fund restrictions.
- Inadequate monitoring of DHGC's operations to ensure contract compliance.

Effect:

- Contract violations
- Potential misuse of imprest fund.

Recommendation:

1. The Project Manager should periodically review the check register of the imprest fund to ensure all the purchases are appropriate and in compliance with the contract.

14. REDEMPTION CERTIFICATE

Criteria:

- Use of redemption certificates should be properly authorized and adequately controls.

Condition:

- DHGC has an advertising arrangement with a local radio company to promote the golf course during a radio-shopping program. The promoter sells redemption certificates to the listeners at a discount and retains the proceeds.
- According to the terms of the redemption certificates, each \$70 value certificate is good towards a round of golf for two players (carts and green fees included) and is valid after 10 am, 7 days a week within the specified 3-month period.
- Once redeemed, the certificates are bundled up and stored in the accounting office.
- During the month of November 2004, a total of 25 certificates were accepted. Our review of these redeemed certificates found the following:
 - 18 redemption certificates (72%) were processed by three employees and had not been properly marked to prevent the certificates from being reused;
 - Two certificates were used for tee times before 10 a.m.;
 - One person used four redemption certificates within a period of 9 days; and
 - 10 certificates (40%) were not redeemed by the bearers of the redemption certificates.
- DHGC management did not include this advertising program in its marketing plan and did not obtain prior approval from the City to participate in the program.

Cause:

- DHGC did not formally establish objectives and controls for the redemption certificate program.
- Lack of oversight of redemption certificates.

Effect:

- Potential loss of revenues.
- Potential for reuse of redeemed certificates.

Recommendation:

1. The Project Manager should evaluate the redemption certificate program to determine whether it is beneficial to the golf course. If so, the Project Manager should direct DHGC management to formally document the objectives and establish proper controls for the program.

15. LOST AND FOUND

Criteria:

- Adequate controls should be in place to account for all lost and found items.

Condition:

- If personal belongings left behind by the golfers are found, they are brought into the pro-shop.
- The lost and found items are kept in the pro-shop for one week to be claimed by their owners.
- After one week, the unclaimed items are transferred to the cart barn under the custody of the cart attendants.
- During the audit, we observed dozens of unclaimed items including golf clubs and various personal belongings inside the cart barn.
- There is no inventory list documenting descriptions of each of the lost and found items, the dates they were found, and the owners of the items, if claimed.

Cause:

- Lack of policy and procedures to record lost and found items and their subsequent disposals.

Effect:

- Potential theft of lost and found items.

Recommendation:

1. The Project Manager should direct DHGC management to establish formal policy and procedures with regard to lost and found items found at the golf course.

MANAGEMENT RESPONSES

1. FINANCIAL PERFORMANCE

RECOMMENDATION 1

Management Plan of Action: The City will continue to seek ways to systematically reduce and ultimately eliminate the financial deficit as the golf course operations mature and grow.

Expected Date of Completion: Immediately with regards to initiating a long-term plan to reduce or eliminate the subsidy.

RECOMMENDATION 2

Management Plan of Action: City staff will request the Contractor to develop a comprehensive business plan.

Expected Date of Completion: Three months.

RECOMMENDATION 3

Management Plan of Action: Some information (i.e. revenue and rounds of golf) has been forthcoming on a regular basis. In concurrence with this recommendation, City staff will expand on these reporting and monitoring responsibilities to include other finance and performance measures.

Expected Date of Completion: Three months.

2. CONTRACT OVERSIGHT

RECOMMENDATION 1

Management Plan of Action: City management is evaluating the assignment of contract oversight responsibilities as recommended and will be making assignments as appropriate within the next 90 days.

3. MONTHLY REPORTS

RECOMMENDATION 1

Management Plan of Action: City staff will review and establish controls that will ensure compliance with monthly reporting and monitoring requirements.

Expected Date of Completion: June 30, 2005

4. PERSONNEL

RECOMMENDATION 1

Management Plan of Action: This direction will be issued June 1, 2005 to both the local DHGC management and the parent company, IRI. A formal comprehensive policy and procedures manual will be completed in the third quarter of FY 2006. This will include reference to requirements relative to food and beverage servers. The requirements for everyone to punch a clock will be in place by July 1, 2005.

5. SALES TAXES COLLECTION AND REMITTANCE

RECOMMENDATION 1

Management Plan of Action: The Project Manager will formally make the request for a refund of the sales tax over payment.

Expected Date of Completion: Request made of the Contractor to refund taxes paid will be complete by June 30, 2005.

RECOMMENDATION 2

Management Plan of Action: The City will provide assistance to the Contractor to obtain a refund of the sales tax. If such efforts are unproductive, the City will issue a claim against the Contractor as recommended.

Expected Date of Completion: As determined by interaction with State Department of Taxation

6. SALES TAXES FOR PURCHASES

RECOMMENDATION 1

Management Plan of Action: Given the procedure what has been in place, we take some exception to the findings in that the Project Manager did not see invoices which would have shown sales tax being paid. The Project Manager will meet with the City Attorney's Office and the Purchasing Division to determine how purchases at the DHGC should be made to take advantage of the City's tax exempt status and to minimize operating costs.

Expected Date of Completion: Second Quarter FY 2006.

7. PROPERTY TAX

RECOMMENDATION 1

Management Plan of Action: The Project Manager should certainly be involved, however, a directive for formal resolution from the City Attorney's Office would be more appropriately made from the City Manager's Office.

Expected Date of Completion: Time frame will be determined by the City Attorney's Office.

RECOMMENDATION 2

Management Plan of Action: See Recommendation #1. The Project Manager will be a part of the review and will take action as directed.

Expected Date of Completion: City Attorney's Office time frame.

8. PRO-SHOP OPERATION

RECOMMENDATION 1

Management Plan of Action: This will be made as a part of audit item #4 and will be completed by the Third Quarter of FY 2006. The issue of surveillance cameras will be discussed with Finance and Facilities Management for funding and proper placement.

Expected Date of Completion: See above.

9. PRO-SHOP MERCHANDISE

RECOMMENDATION 1

Management Plan of Action: (a) will be addressed as part of the policy and procedure manual. The other will be done as part of a monthly review that will be implemented in the First Quarter of FY 2006.

Expected Date of Completion: See above.

10. RESTAURANT OPERATION

RECOMMENDATION 1

Management Plan of Action: Monthly inspection of restaurant operations and reports will be made. A quarterly report will be made to the City Manager's Office.

Expected Date of Completion: Second Quarter of FY 2006.

RECOMMENDATION 2

Management Plan of Action: A decision as to the appropriateness of a husband and wife both working in the same area will be reviewed and a decision made by the First Quarter of 2006.

Expected Date of Completion: See Above

11. MAINTENANCE

RECOMMENDATION 1

Management Plan of Action: These recommendations will be included as a part of the policy and procedure manual that the contractor will be required to write. Until the completion of this document the Project Manager will ensure maintenance is done to acceptable standards.

Expected Date of Completion: Third Quarter of FY 2006.

12. COMPLIMENTARY USE OF GOLF COURSE FACILITY

RECOMMENDATION 1

Management Plan of Action: Will notify DHGC in writing.

Expected Date of Completion: Implementation will be by July 1, 2005.

RECOMMENDATION 2

Management Plan of Action: The Project Manager will draft a complimentary use policy to be part of the policy and procedure manual.

Expected Date of Completion: Third Quarter of FY 2006.

13. IMPREST FUND

RECOMMENDATION 1

Management Plan of Action: The Project Manager will consult with the Finance Department to make sure the imprest fund policy is clear. The imprest fund will be reviewed monthly.

Expected Date of Completion: To begin the First Quarter of FY 2006.

14. REDEMPTION CERTIFICATE

RECOMMENDATION 1

Management Plan of Action: The Project Manager will review this marketing component to determine its worth. A formal policy will be developed to address the proper recording and control of the certificates.

Expected Date of Completion: Will be a part of the formal policy and procedures; Third Quarter of FY 2006. Will begin research July 1, 2005 and proper recording controls will be in place the First Quarter of FY 2006.

15. LOST AND FOUND

RECOMMENDATION 1

Management Plan of Action: A formal policy will be in place by Second Quarter of FY 2006.

Expected Date of Completion: See Above.